

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 338

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: PINT, GE

SUBJECT: GDR GOVERNMENT INDICATES PROBABLY INCREASE
IN DOMESTIC PRICES

1. A STATEMENT OF THE GDR GOVERNMENT ENTITLED:
"WHAT'S THE SITUATION CONCERNING PRICES" WAS PUBLISHED
IN NEUES DEUTSCHLAND ON JANUARY 28 AND HAS BEEN CARRIED
IN BOTH THE BERLINER ZEITUNG AND THE EAST GERMAN CDU'S
NEUE ZEIT. THE STATEMENT BEGINS WITH THE
THEORETICAL QUESTION OF WHETHER THE GOVERNMENT AND PARTY
LEADERSHIP CAN GUARANTEE THAT CONSUMER PRICES WILL BE
HELD AT THEIR CURRENT LEVELS DESPITE THE INCREASE IN THE
PRICES OF IMPORTED RAW MATERIALS AND FUEL. THE ANSWER
PROVIDED BY THE LEADERSHIP IS A RESOUNDING "YES" WHICH
IS IMMEDIATELY QUALIFIED BY STATING THE WELL-KNOWN FACT
THAT EAST GERMANY IS A "RESOURCES POOR" STATE DEPENDENT
UPON OUTSIDE SOURCES FOR ENERGY AND RAW MATERIALS.
WHILE GUARANTEEING THAT CONSUMER PRICES (INCLUDING
RETAIL PRICES, RENTS AND SERVICES) WILL NOT INCREASE,
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THE GOVERNMENT FORESEES AND IN THE PRICES OF

INDUSTRIAL GOODS WHICH WILL BE BORNE MAINLY BY THE INCREASE IN PRODUCTIVITY DECREED BY THE 8TH SED PARTY CONFERENCE IN 1971 (AND SEVERAL OTHER PARTY MEETINGS SINCE) AND BY CONTRIBUTIONS FROM "SOCIAL FUNDS". THE STATMENT CONCLUDES WITH THE THOUGHT THAT CONTINUED CONTROL OF CONSUMER PRICES OVER THE LONGER RUN WILL DEPEND UPON PROJECTED INCREASES IN PRODUCTIVITY (PARTICULARLY THROUGH FULFILLMENT OF THE FIVE-YEAR PLAN BEGINNING IN 1976) AND COOPERATION WITHIN THE EAST EUROPEAN ECONOMIC ORGANIZATION, COMECON.

2. IN ITS JANUARY 29 EDITION THE FRANKFURTER ALLGEMEINE TAKES THE GDR GOVERNMENT TO TASK FOR ITS STATEMENT ON PRICES. THE GDR HAS FOR SOME TIME HAD "HIDDEN, CREEPING" INFLATIONS, REPORTS THE ALLGEMEINE, AND THE GDR LEADERSHIP CANNOT CONTINUE TO IGNORE THE SITUATION BY PAPERING IT OVER WITH BUDGETARY AND OTHER "TRICKS". WHILE THE ALLGEMEINE RECOGNIZES THAT EAST GERMAN IMPORTS OF RAW MATERIALS AND FUEL FROM THE WEST ARE RELATIVELY SMALL, IT POINTS OUT THE SOVIET UNION MAY HAVE TO DOUBLE THE CURRENT PRICE FOR FUEL OIL IN THE NEAR FUTURE. IF THE EAST GERMAN REGIME CONTINUES TO IGNORE INFLATION, SAY THE PAPER, IT WILL BE FACED WITH THE "BITTER NECESSITY" OF TAPPING AND USING OUTSIDE FINANCIAL SOURCES WHEREVER THEY ARE AND WHATEVER THEY COST.

3. COMMENT: THE GDR'S STATEMENT OF REASSURANCE" (AS IT IS DESCRIBED IN THE ALLGEMEINE) IS BEING INTERPRETED AS A SURE SIGN THAT CONSUMER PRICES IN EAST GERMANY ARE DESTINED TO RISE IN THE FORESEEABLE FUTURE. THE QUESTION NOW SEEMS TO BE NOT HOW LONG THE EAST GERMANS CAN CONTINUE TO APPEAR TO CONTAIN INFLATION, BUT RATHER WHETHER THEY CAN ACTUALLY DO SO IN VIEW OF THE RISING WORLD PRICES FOR FUEL AND RAW MATERIALS PARTICULARLY. THE ALLGEMEINE SAYS THEY CANNOT. COOPER

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